

REPORT ON EXAMINATION
OF
AMERICAN TRADITIONS INSURANCE
COMPANY

PINELLAS PARK, FLORIDA

AS OF
DECEMBER 31, 2013

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

March 6, 2015

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2013, of the financial condition and corporate affairs of:

**AMERICAN TRADITIONS INSURANCE COMPANY
7785 66TH STREET
PINELLAS PARK, FLORIDA 33781**

Hereinafter referred to as the "Company". The report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of operations from January 1, 2009 through December 31, 2013. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office from September 23, 2014 to September 25, 2014. The fieldwork commenced on October 7, 2014, and concluded as of March 6, 2014.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and Annual Statement Instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action.

The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

Timely Notification of Change in Directors and Officers

The Company did not timely notify the Office of a change for the following directors and officers within 45 days as required by Section 628.261, Florida Statutes:

- Vice President of Claims William Werther was not re-elected on September 22, 2011 with notice to the Office provided on November 11, 2011 (50 days); a committee replaced this officer.
- Controller Justin Locke was elected as a Director on September 22, 2011 with notice to the Office provided on November 11, 2011 (50 days).
- Christopher Morson was not re-elected as a Director on December 11, 2012 and was later replaced by Mark Kutner with notice to the Office provided on April 5, 2013 (115 days).

Reinsurance Agreement Omission

The Company's agreement with Y-Bridge Insurance SPC did not comply with SSAP 62R, Paragraph 8 in that it did not include an insolvency clause. In order for the Company to take reinsurance credit, the insolvency clause must be included as part of the reinsurance agreement. The agreement also was not executed by both parties within required time frames of the effective date of the agreement. The agreement is also missing "errors and omissions" and "arbitration" clauses, which are common provisions.

Prior Exam Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2008.

SUBSEQUENT EVENTS

The Company replaced two directors subsequent to the examination date. On December 2, 2014, Doug Francis Vatter was replaced by Gregory Sellner Hall and Mark Edward Kutner was replaced by Keith Marco Lindgren.

HISTORY

General

The Company was incorporated in Florida on August 9, 2005 as a stock property and casualty insurer. On January 1, 2006, the Company commenced business.

The Company was party to Consent Order 82430-05-CO filed August 1, 2005 with the Office regarding the application for the issuance of a Certificate of Authority. The Company was party to

Consent Order 96383-08-CO filed August 22, 2008 with the Office regarding prior examination findings.

The Company was authorized to transact the following insurance coverage in Florida on December 5, 2005 and continued to be authorized as of December 31, 2013:

Allied Lines	Mobile Home Multi Peril
Fire	Mobile Home Physical Damage
Homeowners Multi Peril	Other Liability
Inland Marine	

The Articles of Incorporation and the Bylaws were not amended during the period of examination.

Dividends to Stockholders

The Company did not declare or pay any dividends during the period of examination.

Capital Stock

As of December 31, 2013, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$1,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Jerger Holdings Corporation, a Florida Corporation, who owned 100% of the stock issued by the Company.

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales through Reinsurance

The Company had no acquisitions, mergers, disposals, and purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

The recorded minutes of the Shareholder, Board of Directors (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2013, were:

Directors

Name and Location	Principal Occupation
Thomas John Jerger Pinellas Park, Florida	Chairman and CEO American Traditions and Modern USA Insurance Companies
Thomas John Jerger, Jr. Clearwater, Florida	President American Traditions and Modern USA Insurance Companies
Doug Francis Vatter (a) Cornwall on Hudson, New York	President West Point Underwriters, LLC
Brian James Adamski Lutz, Florida	Treasurer and CFO American Traditions and Modern USA Insurance Companies
Raymond Mark Blacklidge Madeira Beach, Florida	Senior Vice President, Secretary and General Counsel American Traditions and Modern USA Insurance Companies
Richard Mitchell Jerger, Jr. St. Petersburg, Florida	Director American Traditions and Modern USA Insurance Companies
Mark Edward Kutner (b) Coral Gables, Florida	Physician Smith, Matza, & Kutner, LLC
Joel Peter Yanchuck Treasure Island, Florida	Attorney Yanchuck, Berman, Wadley & Zervos PA
Dan Lee Hurley Ellenton, Florida	Vice President of Compliance American Traditions and Modern USA Insurance Companies
Justin Darby Locke Clearwater, Florida	Controller American Traditions and Modern USA Insurance Companies

(a) Subsequent to the exam period, Doug Francis Vatter was replaced by Gregory Sellner Hall as a director on December 2, 2014.

(b) Subsequent to the exam period, Mark Edward Kutner was replaced by Keith Marco Lindgren on December 2, 2014.

The Board, in accordance with the Company's amended bylaws appointed the following senior officers:

Senior Officers

Name	Title
Thomas John Jerger	Chairman and CEO
Thomas John Jerger, Jr.	President
Brian James Adamski	Treasurer and CFO
Dan Lee Hurley	Vice President of Compliance
Justin Darby Locke	Controller
Raymond Mark Blacklidge	Executive Vice President, General Counsel and Secretary

The Company's Board appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2013:

Audit Committee

Joel Peter Yanchuck ¹
Thomas John Jerger
Richard Mitchell Jerger, Jr.
Doug Francis Vatter

Investment Committee

Thomas John Jerger ¹
Brian James Adamski
Richard Mitchell Jerger, Jr.

¹ Chairman

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- Controller Justin Locke was elected as a Director on September 22, 2011 with notice to the Office provided on November 11, 2011 (50 days).
- Christopher Morson was not re-elected as a Director on December 11, 2012 and was later replaced by Mark Kutner with notice to the Office provided on April 5, 2013 (115 days).

The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes.

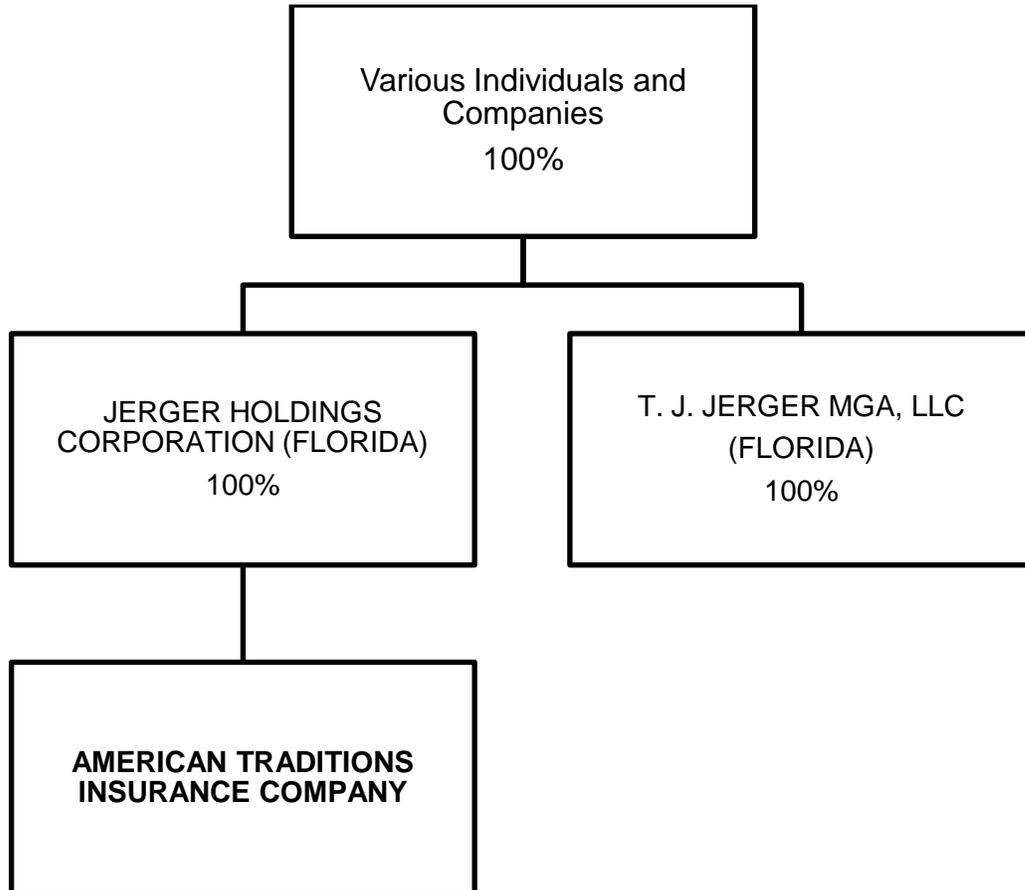
Affiliated Companies

The latest holding company registration statement was filed with the State of Florida on February 27, 2014, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2013, reflecting the holding company system, is reflected below. Schedule Y of the Company's 2013 annual statement provided a list of additional affiliated companies.

**AMERICAN TRADITIONS INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2013



The following agreements were in effect between the Company and its affiliates:

Consolidated Income Tax Agreement

The Company, along with its parent, filed a consolidated federal income tax return during the exam period. Effective tax-year ending December 31, 2006, the Company and its parent, Jerger Holding Corporation, entered in a consolidated federal income tax return agreement. The method of allocation between the Company and its parent was such that each entity should contribute its fair and equitable share of the taxes paid, provided that they should not be required to pay more than they would have paid if they had computed and paid their tax liabilities on a separate basis.

Facilities Agreement

The Company had a Facilities Agreement, effective November 1, 2007, with its affiliates, West Point Underwriters, LLC, T. J. Jerger MGA, LLC, Modern USA Insurance Company and MUSA MGA, LLC. The agreement served to establish the cost of running the facilities of the companies that were party to the agreement, and established procedures for the allocation of the cost of such facilities. The agreement called for monthly invoices submitted by the Treasurer of each company by the 15th day of the following month for reimbursable expenses to be paid by the last day of the following month.

Cost Allocation Agreement

The Company had a Cost Allocation Agreement, effective October 1, 2007, with its affiliate, Modern USA Insurance Company. The agreement served to delineate the costs of services provided to each of the companies, but still allowed such cost to be shared by them or allocated among them, as deemed appropriate. The agreement called for monthly invoices submitted by the

Treasurer of each company for reimbursable charges or expenses by the 15th day of the following month to be paid by the last day of the following month.

Managing General Agent Agreement

The Company had a Managing General Agent agreement with T.J. Jerger MGA, LLC (MGA), effective September 1, 2005, to administer 100% of the policies written by the Company and to provide services for managing and administering the affairs of the Company. Services included, but were not limited to, policy issuance, underwriting, premium billing and collection, and the adjustment and payment of claims. Contract terms included a commission rate of 20% and \$25 per policy MGA fee. Effective April 1, 2013 the commission rate changed to be in a range from 20% to 25%, depending on the Company's net income. At December 31, 2013, the Company incurred year-to-date commission expense and policy fees of \$9,332,955 and \$1,289,275, respectively.

The MGA outsourced the policy issuance, underwriting, premium billing and collection servicing to the affiliated West Point Underwriters, LLC, through a Policy Administration Agreement effective September 1, 2005. The MGA outsourced the claims servicing on behalf of the Company through a Claims Administration Services Agreement with an affiliate, Storm King Claims Service effective January 1, 2006. Under terms of this agreement, the MGA pays an administrative fee of \$300 per claim and an hourly rate of \$60 for claims not outsourced to third party independent adjusters.

Florida Commercial Lease Agreement

The Company entered into a Florida Commercial Lease Agreement, with an affiliate, 66 Investors, LLC, effective June 25, 2008. 66 Investors, LLC is the owner of the Company's home office building located in Pinellas Park, Florida. The term of the agreement was for one year with the total lease amount of \$57,927.80 due in monthly installments by the 15th of each month. The agreement is renewed through written notice of intent to renew ninety days prior to the expiration of the most recent term.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$1,000,000 with a deductible of \$25,000, which adequately covered the suggested minimum as recommended by the NAIC.

The Company also maintained Directors and Officers Professional Liability, General Liability, Commercial Property, Crime Liability and Umbrella insurance coverage.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had a safe harbor 401(K) plan that was administered by American Funds at December 31, 2013. The plan covers all eligible employees of the Company and offers 100% vesting immediately upon participation.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

COMPANY GROWTH

The Company's overall premium written steadily increased over the exam period. The Company continued to write the majority of its book of business in the mobile home lines which management considered its niche. However, over the exam period, the Company steadily wrote more traditional homeowners insurance in order to balance its book of business and this trend is expected to continue. The Company maintained conservative leverage ratios during the exam period, and reported a 2013 Net Premium Written to Policyholders Surplus ratio of 156%.

The Company has experienced steady premium growth over the exam period. This premium growth was offset by significant losses attributable to sinkholes during 2009 through 2011, peaking in 2010. As a result, the Company's profitability suffered during those timeframes as due to underwriting losses recorded of \$358 thousand in 2009, \$3.2 million in 2010, and \$310 thousand in 2011. Legislation reform and underwriting changes have led to decreased sinkhole

losses. As a result, the Company underwrote a profitable book of business in the later portion of the exam period. As of December 31, 2013, the Company reported a Combined ratio of 81.5%.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the Company's filed annual statements.

	2013	2012	2011	2010	2009
Premiums Earned	24,515,952	22,364,331	21,021,739	18,334,731	17,597,878
Net Underwriting Gain/(Loss)	4,356,281	2,160,814	(309,610)	(3,199,138)	(357,889)
Net Income	3,265,415	1,721,704	2,228,711	(1,116,475)	335,478
Total Assets	44,312,578	39,704,846	38,867,235	35,265,403	31,123,537
Total Liabilities	28,330,844	27,344,394	27,997,832	26,608,846	21,523,253
Surplus As Regards Policyholders	15,981,734	12,360,452	10,869,403	8,656,557	9,600,284

LOSS EXPERIENCE

During the exam period, the Company maintained its writings consistently within the mobile homes lines while also attempting to slowly grow its traditional homeowners lines. The Company's Loss and Loss Adjustment Expense ratio fluctuated considerably during the exam period, ranging from a high of 66% in 2010, to a low of 35.9% in 2013. The spike in losses during 2010 and 2011 was primarily attributable to sinkholes. One-year loss reserve development was favorable for 2013 while two-year loss development was unfavorable presumably still tied to the sinkhole losses that remained reflected in the 2011 loss totals.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines with the exception of one reinsurance contract with Y-Bridge Insurance SBC.

Assumed

The Company did not assume any premiums during the period of this examination.

Ceded

As of December 31, 2013, the Company's ceded reinsurance program consisted of quota share, excess of loss and catastrophe reinsurance provided by agreements with various commercial reinsurers through reinsurance intermediary, BMS Intermediaries, Inc. The Company also participated in the Florida Hurricane Catastrophe Fund (FHCF).

The Company's excess of loss coverage provides \$600,000 in excess of \$400,000 coverage on each and every risk, subject to \$3,600,000 as respects to any one contract year. The coverage is placed at 85%.

The Company's quota share agreement provides 15% of the Company's net liability, subject to \$70,500,000 as respects any one property loss occurrence, not to exceed \$140,000,000 as respects all loss occurrences attributable to any one contract year.

The Company had the following catastrophe excess of loss coverage through commercial reinsurers and the FHCF as of December 31, 2013, resulting in coverage of ultimate net losses of approximately \$126,000,000 for the first two events:

- First Catastrophe Excess of Loss Reinsurance - \$7,000,000 in private reinsurance coverage with a retention limit of \$1,500,000 (subject to 500,000 deductible)
- Second Catastrophe Excess of Loss Reinsurance - \$13,000,000 in private reinsurance coverage with a retention limit \$8,500,000
- Third Catastrophe Excess of Loss Reinsurance - \$13,000,000 in private reinsurance coverage with a retention limit of \$21,500,000
- Forth Catastrophe Excess of Loss Reinsurance - \$13,000,000 in private reinsurance coverage with a retention limit of \$34,500,000
- Fifth Catastrophe Excess of Loss Reinsurance - \$20,000,000 in private reinsurance coverage with a retention limit of \$47,500,000
- Florida Catastrophe Hurricane Fund (FCHF) - \$58,500,000 payout limit with an attachment point of \$24,750,000

The Company executed reinsurance premiums protection agreements to reinsure the reinstated premium payment obligations which accrued to the Company under the commercial catastrophe excess of loss agreements.

The Company reinsured third events with retention of \$1,500,000, up to \$20,000,000 in coverage.

The Company ceded \$22,456,940 in premiums during the year ended December 31, 2013.

The Company's agreement with Y-Bridge Insurance SPC did not comply with SSAP 62R, Paragraph 8 in that it did not include an insolvency clause. In order for the Company to take reinsurance credit, the insolvency clause must be included as part of the reinsurance agreement. The agreement also was not executed by both parties within required time frames of the effective date of the agreement. The agreement also is missing "errors and omissions" and "arbitration" clauses which are common provisions.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Pinellas Park, Florida.

The Company's accounting records were maintained on a computerized system hosted by West Point Underwriters, an affiliate through common ownership. The system provides agents with a secure web-based access to quote and bind policies. Policyholders also have a secure portal for making premium payments, reporting claims and viewing policy and claims status.

The Company and non-affiliates had the following agreements in effect at December 31, 2013:

Custodial Agreements

The Company had securities held under Custodial Agreements in place with the following: Janney Montgomery Scott, LLC; Morgan Stanley & Company; and SunTrust Bank. All of the agreements were found to be in compliance with Rule 69O-143.042, Florida Administrative Code.

Reinsurance Intermediary Agreement

The Company contracted with BMS Intermediaries, Inc. as its reinsurance intermediary broker.

The agreement was found to be in compliance with Section 626.7492, Florida Statutes.

Independent Auditor Agreement

An independent CPA audited the Company's statutory basis financial statements annually for the years 2010, 2011, 2012 and 2013, in accordance with Section 624.424(8), Florida Statutes.

Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Lindsey Pittman, Office Examiner of Lewis & Ellis, Inc. performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	Description	Book Value	Fair Value
FL	CD, 3.5%, 2/28/09	<u>\$ 300,000</u>	<u>\$ 300,000</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</u>

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2013, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus".

AMERICAN TRADITIONS INSURANCE COMPANY
Assets

DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Bonds	\$29,244,033		\$29,244,033
Cash, cash equivalents and short-term investrn	7,667,754		7,667,754
Other invested assets	250,491		250,491
Investment income due and accrued	196,173		196,173
Agents' Balances:			
Uncollected premiums and agents' balances	675,769		675,769
Deferred premium	2,598,087		2,598,087
Reinsurance			
Amounts recoverable from reinsurers	571,375		571,375
Other amounts receivable under reinsurance contracts	660,749		660,749
Current federal income tax recoverable	174,564		174,564
Net deferred tax asset	1,471,380		1,471,380
Guaranty funds receivable	201,611		201,611
Receivable from parent, subs and affiliates	595,290		595,290
Aggregate write-ins	5,302		5,302
Totals	\$44,312,578	\$0	\$44,312,578

AMERICAN TRADITIONS INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Losses	\$3,971,278		\$3,971,278
Loss adjustment expenses	1,317,633		1,317,633
Commissions payable	0		0
Other expenses	1,193,126		1,193,126
Taxes, licenses and fees	347,698		347,698
Current federal and foreign income taxes	0		0
Unearned premiums	18,395,889		18,395,889
Advance premium	1,717,312		1,717,312
Ceded reinsurance premiums payable	204,986		204,986
Funds held by company under reinsurance treaties	0		0
Payable to parent, subsidiaries, and affiliates	1,182,922		1,182,922
Total Liabilities	<u>\$28,330,844</u>	<u>\$0</u>	<u>\$28,330,844</u>
Common capital stock	\$1,000		\$1,000
Surplus Notes	0		0
Gross paid in and contributed surplus	7,001,084		7,001,084
Unassigned funds (surplus)	<u>8,979,650</u>		<u>8,979,650</u>
Surplus as regards policyholders	<u>\$15,981,734</u>		<u>\$15,981,734</u>
Total liabilities, surplus and other funds	<u><u>\$44,312,578</u></u>		<u><u>\$44,312,578</u></u>

AMERICAN TRADITIONS INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2013

Underwriting Income

Premiums earned	\$24,515,952
Deductions	
Losses incurred	6,394,151
Loss expenses incurred	2,395,303
Other underwriting expenses incurred	11,370,217
Total underwriting deductions	20,159,671
Net underwriting gain or (loss)	4,356,281

Investment Income

Net investment income earned	344,501
Net realized capital gains (losses)	31,146
Net investment gain or (loss)	375,647

Other Income

Net gain or (loss)	855
Finance and service charges not included in premiums	174,619
Aggregate write-ins for miscellaneous income	3,271
Total other income	178,745

Net Income, after dividends to policyholders, but before federal & foreign income taxes	4,910,673
Federal income taxes	1,645,258
	3,265,415

Net Income \$3,265,415

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$12,360,452
Net Income	3,265,415
Change in net unrealized capital gains	5,976
Change in net deferred income tax	32,564
Change in non-admitted assets	317,327
Change in provision for reinsurance	0
Capital changes	0
Paid in surplus	0
Aggregate write-ins for gains and losses in surplus	0
Change in surplus as regards policyholders for the year	3,621,282
Surplus as regards policyholders, December 31 current year	\$15,981,734

**AMERICAN TRADITIONS INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2013

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2013, per Annual Statement	\$15,981,734
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustment			
LIABILITIES:			
No adjustment			
Net Change in Surplus: No adjustment			0
Surplus as Regards Policyholders December 31, 2013, Per Examination			\$15,981,734

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses	<u>\$5,288,911</u>
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An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2013, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Greg Wilson, FCAS, MAAA of Lewis & Ellis, Inc. reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount reported by the Company of \$15,981,734, exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

Timely Notification of Change in Directors and Officers

We recommend that the Company comply with Section 628.261, Florida Statutes, with regards to the 45 day notice to the Office of the change of directors and officers.

Reinsurance Agreement Omission

We recommend that the Company amend its agreement to include all required and common provisions to its agreement with Y-Bridge to ensure the Company is able to take proper reinsurance credit in the future. We also recommend that the agreement is signed by both parties and an executed date is noted as part of the agreement.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of American Traditions Insurance Company as of December 31, 2013, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as Regards Policyholders was \$15,981,734 which exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Jonathan Frisard, Examination Manager, Marie Stuhlmuller, Financial Examiner/Analyst, and Ceranes Lejulus, Financial Examiner/Analyst of the Office participated in the examination. Additionally, Lindsey Pittman, CPA, CFE, Examiner-in-Charge, Kate Bolbas, Participating Examiner, and Greg Lewis, FCAS, MAAA, Examination Actuary, of Lewis & Ellis, Inc. participated in the examination.

Respectfully submitted,

Robin Brown, CFE
Chief Examiner
Florida Office of Insurance Regulation